

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 EUR-12 EA-10 IO-13 ISO-00 STRE-00
STR-07 COME-00 TRSE-00 OMB-01 AID-05 CAB-02
CIAE-00 DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00
L-03 /082 W

-----048996 270640Z /21

R 270151Z JUN 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 9121
INFO AMEMBASSY BUENOS AIRES
AMEMBASSY LONDON
AMEMBASSY MANILA
AMEMBASSY SEOUL
USMISSION GENEVA

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E.O. 11652: NA
TAGS: EAIR, JA
SUBJECT: JAPANESE PLANS TO BUY AND LEASE AIRCRAFT

DEPARTMENT ALSO PASS STR ELECTRONICALLY
USMTN

REF: TOKYO 9378 (NOTAL), MANILA 5697

SUMMARY: MITI OFFICIAL HAS TOLD US APPROXIMATELY
\$1 BILLION WORTH OF AIRCRAFT PURCHASE/LEASE
TRANSACTIONS ARE NOW PENDING ALTHOUGH ONLY A QUARTER
OF THESE ARE EXPECTED TO GO THROUGH. IT APPEARS
THAT JAPAN IS SIMPLY THE FINANCIAL MIDDLE MAN IN
AIRCRAFT SALES THAT WOULD HAVE TAKEN PLACE ANYHOW.
END SUMMARY.

1. ON JUNE 22 EMBOFF CALLED ON MITI OFFICIAL TO
RECEIVE UPDATE ON STATUS OF MITI-INITIATED PLAN OF
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BUYING AND LEASING AIRCRAFT AS EMERGENCY IMPORT
MEASURE TO REDUCE U.S./JAPAN BILATERAL TRADE
IMBALANCE. PLAN HAS RECEIVED MODERATE ATTENTION OF
LATE, BOTH IN VERNACULAR PRESS AND ASIAN WALL STREET
JOURNAL.

2. MITI OFFICIAL CONFIRMED THAT WHOLE SCHEME IS

STILL TO EXPIRE BY END OF JFY 1978. HE ALSO SAID THAT THE PLAN'S ORIGINAL CONCEPT HAD BEEN ALTERED IN THAT LEASES TO DEVELOPED COUNTRY AIRLINES, AS WELL AS THOSE OF LESSER DEVELOPED COUNTRIES, WOULD NOW BE AUTHORIZED. ALTHOUGH MITI HAD HAD A DIFFICULT TIME INITIALLY IN STIMULATING INTEREST IN THE PLAN, TWO JAPANESE LEASING COMPANIES, SEVERAL TRADING COMPANIES AND BANKS WERE NOW INVOLVED. APPROXIMATELY 22 TRANSACTIONS INVOLVING \$1 BILLION WORTH OF AIRCRAFT (NEW AND USED) ARE NOW PENDING. IN RESPONSE TO OUR QUESTION, HE SAID HE "PERSONALLY" ANTICIPATED THAT APPROXIMATELY 25 PERCENT OF THE TRANSACTIONS MIGHT ACTUALLY TAKE PLACE. A "FEW" INVOLVED EUROPEAN AIRCRAFT; THE REST U.S.-MADE.

3. IN REGARD TO SPECIFIC DEALS, MITI OFFICIAL EXPRESSED THE OPINION THAT THE PENDING TRANSACTION WITH KOREAN AIR LINES IS "ALMOST DEAD" SINCE KAL FOR REASONS OF NATIONAL PRESTIGE AND TAX WRITE-OFFS WOULD RATHER PURCHASE THAN LEASE AIRCRAFT. IN REGARD TO DEVELOPED COUNTRIES, HE SAID THAT MITI IS ABOUT TO RECOMMEND TO JCAB AND THEN EXPORT-IMPORT BANK, APPROVAL OF THE PURCHASE/LEASE OF A NEW B-747 AIRCRAFT TO BRITISH AIRWAYS. WHEN EMBOFF ASKED HOW THE JAPANESE COMPANY INVOLVED HAD FOUND A NEW BOEING FOR DELIVERY BEFORE END MARCH, 1979, MITI OFFICIAL INDICATED THAT MITI "DID NOT KNOW" WHEN THE DEAL WAS ARRANGED. LIMITED OFFICIAL USE

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4. EMBOFF THEN REITERATED OUR VIEW THAT WE WOULD WELCOME INCREMENTAL SALES OF AIRCRAFT BUT SAW LITTLE POINT IN MITI SIMPLY ACTING AS A NEW FINANCIAL MIDDLE MAN IN TRANSACTIONS THAT WOULD OR ALREADY HAD TAKEN PLACE.

5. IN SEPARATE CONVERSATIONS WITH BOEING REP AND ITS JAPANESE ASSOCIATE, NISSHO-IWAI, EMBOFF CONFIRMED THAT KAL DEAL IS ALMOST DEAD. SAME SOURCE TOLD US THAT RUMORED JAPANESE PURCHASE/LEASE OF BOEING AIRCRAFT TO PHILIPPINE AIRLINES HAS "NO CHANCE" AND THAT A POSSIBLE TRANSACTION WITH THE ARGENTINIAN CARRIER IS ALSO "NO GO" SINCE ARGENTINA ALSO PREFERS TO OWN ITS OWN AIRCRAFT.

6. BOEING ALSO TOLD US THAT IT DOES HAVE A CONTRACT TO DELIVER ONE NEW 747 TO BRITISH AIRWAYS IN MARCH 1979 AND THAT FINANCING IS TO TAKE PLACE THROUGH U.S. EX-IM AND PRIVATE BANKS. PRESUMABLY, THIS IS THE AIRCRAFT WHICH THE JAPANESE, WITH BRITISH AIRWAYS COOPERATION OWING TO BETTER FINANCIAL TERMS, PLAN

TO "PICK UP" UNDER MITI SCHEME.

7. COMMENT: MITI'S "SHELL GAME" MAY WELL ACHIEVE THE GOJ'S GOAL OF REDUCING THE BILATERAL BALANCE OF TRADE FIGURES. HOWEVER, THE ESTIMATED AMOUNT OF \$250 MILLION IS RELATIVELY SMALL, AND WE HAVE SEEN NO CASE SO FAR WHERE NEW SALES HAVE ACTUALLY RESULTED.

MANSFIELD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AIRCRAFT, LEASES, AIRCRAFT SALES
Control Number: n/a
Copy: SINGLE
Draft Date: 27 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TOKYO11632
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780265-0935
Format: TEL
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780614/aaaaamcv.tel
Line Count: 124
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1f64e57e-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 TOKYO 9378, 78 MANILA 5697
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2187108
Secure: OPEN
Status: NATIVE
Subject: JAPANESE PLANS TO BUY AND LEASE AIRCRAFT DEPARTMENT ALSO PASS STR ELECTRONICALLY USMTN
TAGS: EAIR, JA
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/1f64e57e-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014